



PROVISIONAL INSTITUTIONS OF SELF-GOVERNMENT
INSTITUCIONET E PËRKOHSHME TË VETËQEVERISJES
PRIVREMENE INSTITUCIJE SAMOUPRAVLJANJA

MINISTRY OF ECONOMY AND FINANCE/TAX ADMINISTRATION OF KOSOVO
MINISTRIA PËR EKONOMI DHE FINANCA/ADMINISTRATA TATIMORE E KOSOVËS
MINISTARSTVO ZA PRIVREDU I FINANSIJE/PORESKA ADMINISTRACIJA KOSOVA



An Overview on Kosovar Tax System

U.S. Trade & Investment Mission to Kosovo

26 - 29 September 2004



Director of TAK - Mustafë Hasani



Background

- TAK (Tax Administration of Kosovo) is an executing body of fiscal policy in MEF. It is one of the two main organisations that funds the KCB
- Was established in January 2000



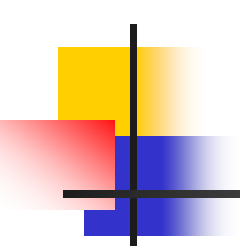
Strategic goals

- A professional staff that supports MEF, Government and Kosovo with the implementation of well-known and acceptable international practices towards the operation of a modern system on administration of taxes, which is :
 - - easy and effective
 - - appropriate and operates with low cost for community and tax authority
 - - encourages and supports voluntary compliance with tax liabilities



Achievements

- Projection and strengthening of execution of tax policy
- Implementation of Presumptive Tax, Profit Tax, VAT, Personal Income Tax
- Agent for collection of Pension Contributions



Fiscal System

(Presumptive tax)

- Presumptive tax (Reg 2000/29)
 - Payable on business income & rents
 - 3% of gross receipts over 30,000 euro
 - Fixed quota based on location & trade for receipts under 30,000
 - Minimum of 37.5 euro per quarter



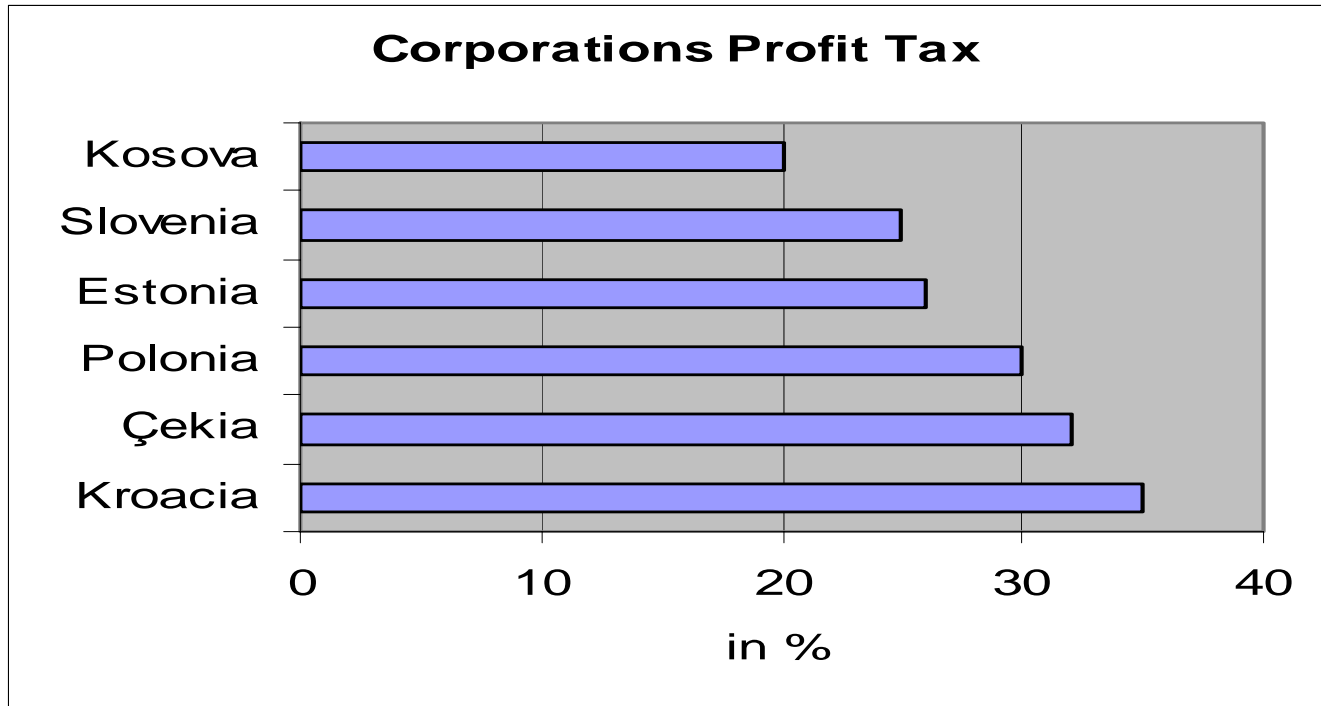
Fiscal System

(Profit tax)

- Profit tax (Reg 2002/3)
 - Payable on business income, rents, capital gains/losses, interest, dividends and royalties
- Tax is flat 20% of net income (gross less allowable deductions)
- Business organizations with annual sales over 100,000.00 €
- Business organization with assets over 50,000.00 €
- Permanent establishment of non-residents persons
- Non-governmental Organizations (NGO)
- Businesses that opt to pay profit tax and not presumptive tax

Fiscal System (Profit tax)

- Company Tax Profit 20% the lowest in region





International Accounting Standards

- Obligatory for the Businesses of annual turnover higher than 100,000 €
- Obligatory also for the Businesses with total assets from 50,000 €
- The Books are supervised by certified accountants.
- Obligatory Auditing for large businesses (annual turnover more than 250.000 €)



Fiscal System (VAT)

- VAT 15% for all goods (the lowest in region)
- For Imported Equipmpent Grace period for VAT Payment 6 months.
- VAT Threshold is 50.000 €



Fiscal System

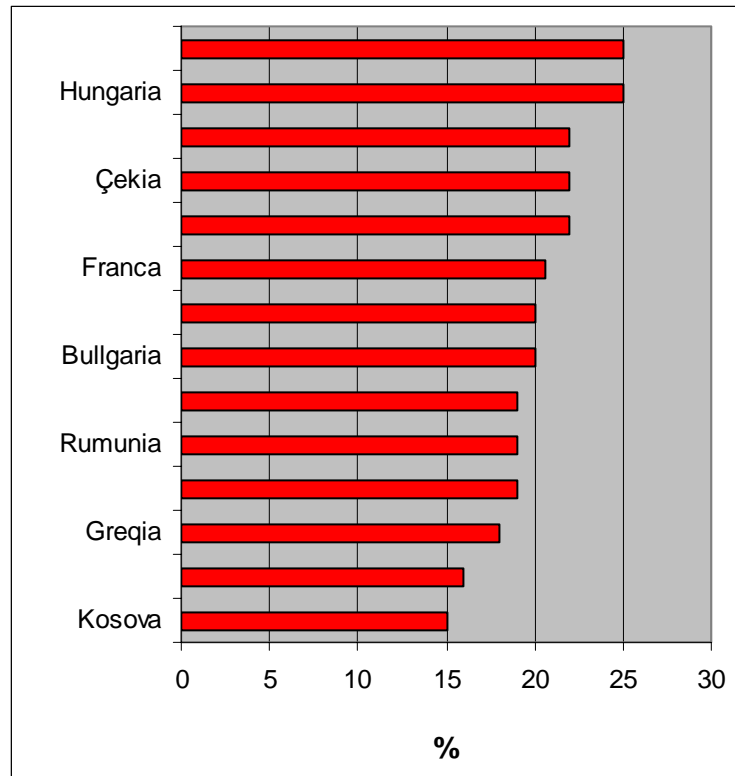
Rules Review of VAT

General Rule

| | |
|------------------|---------------|
| Kosova | 15 % |
| Gjermania | 16 % |
| Greqia | 18 % |
| Slovenia | 19 % |
| Rumunia | 19 % |
| Maqedonia | 19 % |
| Bullgaria | 20 % |
| Serbia | 20 % |
| Franca | 20.6 % |
| Kroacia | 22 % |
| Çekia | 22 % |
| Polonia | 22 % |
| Hungaria | 25 % |

Fiscal System

Rules Review of VAT





Fiscal System (Personal income tax)

- Personal income tax (Regs 2002/4, 2003/3)
 - Payable on wages only
 - 0, 5, 10 & 20% tax rate bands
 - Tax deducted by employers monthly
 - Secondary employers tax at 20% rate

| Monthly Income | Tax |
|------------------|-----|
| Up to 80 euro | 0% |
| 80.01 – 250 euro | 5% |
| 250.01-450 euro | 10% |
| Over €450 | 20% |

| Annual Income | Tax |
|---------------------|-----|
| Up to 960 euro | 0% |
| 960.01 –3,000 euro | 5% |
| 3,000.01-5,400 euro | 10% |
| Over 5,400 euro | 20% |



Pension System

- Pension Scheme in the stands:
- Pension basis
 - (for all individuals above the age of 65)
- Employees Individual Pension (Pensions Trust)
 - 5% from employee's wage and 5% from employer.
 - The payment is recorded in individual pension account.
 - The monies are disposable after the age of 65.
- Voluntary Pension



Basics of new structure

- Number of income taxes reduced from three to two
- One applies to individuals and one to non-individuals
- Personal/indiv income tax now comprehensive
- Partnerships not taxable but partners are
- Under both laws smaller businesses can pay presumptively as at present, but can't opt between presumptive and profit basis
- Presumptive tax no longer a tax type
- Profit tax now called Corporate income tax



Conclusions

- Continuous improvement of legal infrastructure
- Tax rate the lowest in region
- Kosova is moving towards the appliance of International Standards
- Employment output: Young, educated, cheap and flexible
- Financial services well developed
- A well developed infrastructure
- A suitable environment for investments



Mustafë Hasani

Director, Tax Administration of Kosovo

Tel: +381(38) 2534 504

Fax: +381(38) 2534 500

E-mail: mustafehasani@hotmail.com

Webpage www.mfe-ks.org

E-mail: tax_info21@yahoo.com